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TO SECSTATE WASHDC 7281
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TAGS: EAID, EFIN, CA, JA
SUBJECT: CANADIAN POLICY TOWARDS THE CARIBBEAN

1. SUMMARY. CANADIAN POLICY IN THE CARIBBEAN IS MOTIVATED
BY A VARIETY OF POLITICAL, HISTORICAL, HUMANITARIAN, AND

TO A LESSER EXTENT, ECONOMIC FACTORS. POLITICAL CONSIDERATIONS RANGE FROM TRUDEAU'S CLOSE PERSONAL TIES WITH JAMAICAN PM MANLEY TO THE DOMESTIC PRESSURE IN BILINGUAL CANADA FOR GOC TO PAY INCREASED ATTENTION (AND MONEY) TO FRANCOPHONE HAITI. WHILE THE ABSOLUTE AMOUNT OF CANADIAN ASSISTANCE TO THE REGION IS NOT GREAT COMPARED WITH OTHER CANADIAN AID RECIPIENTS, THE CARIBBEAN RECEIVES THE HIGHEST PER CAPITA CONCENTRATION OF GOC AID AND CANADIANS INTEND TO MAINTAIN A HIGH EXPOSURE IN THE REGION. CANADIANS WILL TAKE A CONSTRUCTIVE APPROACH AT JUNE MEETING OF CARIBBEAN CONSULTATIVE GROUP (CCG) AND AT MAY MEETING OF CCG DONOR COUNTRIES. END SUMMARY.

2. POLITICAL INTERESTS: CANADIAN POLICY TOWARDS THE CARIBBEAN IS BASED ON A MELANGE OF FACTORS, MOST OF THEM POLITICAL. CONTRARY TO GOC POLICY IN LATIN AMERICA GENERALLY, CANADIAN AID IN CARIBBEAN DOES NOT AND WILL NOT REPRESENT SEED-MONEY FOR EVENTUAL TRADE OR INVESTMENT PAYOFF. AS BRETT, CHIEF OF CARIBBEAN DIVISION AT EXTAFF PUT IT, "I GUESS IT'S ALTRUISM", SINCE GOC FINANCIAL INTERESTS DO NOT COME CLOSE TO JUSTIFYING CURRENT AND PROJECTED AID LEVELS. (SEE PARAS 8-9 BELOW)

3. HOWEVER, CANADIAN MOTIVATIONS GO BEYOND ALTRUISM. COMMONWEALTH, HISTORICAL, CULTURAL, AND LINGUISTIC BONDS REPRESENT INTANGIBLE FRAMEWORK UPON WHICH NETWORK OF LIMITED OFFICIAL USE

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RELATIONS ARE BUILT. FINANCE MINISTER CHRETIEN STRESSED THIS THEME IN HIS RECENT SPEECH AT THE ANNUAL MEETING OF THE INTER-AMERICAN DEVELOPMENT BANK.

4. CANADIAN POLICY ALSO INCLUDES MORE IMMEDIATE POLITICAL CONSIDERATIONS. JAMAICAN AND GUYANESE COMMUNITIES ARE IMPORTANT ETHNIC GROUPS IN METRO-TORONTO AREA. HAITIAN VOTE IN MONTREAL IS LARGE ENOUGH TO WARRANT ATTENTION AS IT COULD SWAY SOME RIDINGS. TRUDEAU LIBERAL GOVERNMENT HAS REASON TO TREAT THESE COMMUNITIES WITH PARTICULAR CARE, IN PART BECAUSE METRO-TORONTO RESULTS ARE ALWAYS IMPORTANT IN NATIONAL ELECTIONS (AND COULD BE KEY IN NEXT ELECTION) AND IN PART BECAUSE ETHNIC GROUPS TRADITIONALLY VOTE HEAVILY LIBERAL. MOREOVER, HAITI IS REGION'S ONLY FRANCOPHONE COUNTRY AND, IN BILINGUAL CANADA, DOMESTIC POLITICAL CONSIDERATIONS ARE AN IMPORTANT MOTIVE FOR ELEVATING HAITI'S POSITION ON GOC'S SCALE OF REGIONAL PRIORITIES.

5. YET ANOTHER FACTOR IS THE GOC'S "THIRD OPTION", ARTICULATED IN 1970 AND DESIGNED TO LESSEN DEPENDENCE ON THE U.S. BY INCREASING TRADE, FINANCIAL AND POLITICAL ACTIVITIES IN OTHER AREAS. THE CARIBBEAN WAS, ACCORDING TO

BRETT, A NATURAL TARGET FOR THIRD OPTION ATTENTION IN VIEW OF LONG CANADIAN FAMILIARITY WITH THE AREA AND LACK OF LINGUISTIC COMPLICATIONS. WHILE THE THIRD OPTION HAS BEEN LESS THAN A RESOUNDING SUCCESS (OTTAWA 1287), PARTICULARLY IN EUROPE, THE CARIBBEAN HAS BEEN THE BENEFICIARY OF THIS GRANDIOSE SCHEME FOR A MORE INDEPENDENT CANADIAN FOREIGN POLICY.

6. IN ADDITION, THERE IS PM TRUDEAU'S PERSONAL FASCINATION WITH CARIBBEAN LDC DEVELOPMENT EFFORTS IN GENERAL AND PM MANLEY'S JAMAICAN MACHINATIONS IN PARTICULAR. EXTAFF OFFICIALS NOW TEND TO DOWNPLAY POTENTIAL INFLUENCE OF THE TRUDEAU/MANLEY ELEMENT IN CANADIAN POLICY. AS BRETT PUT IT, "THEY HAVE BOTH MATURED A LOT". HOWEVER, TRUDEAU'S

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READINESS TO PARTICIPATE IN MANLEY'S HALF-BAKED, NORTH/
SOUTH MINI SUMMIT PROVIDES EVIDENCE TO THE CONTRARY.

7. FINALLY, THE CARIBBEAN IS CANADA'S ONLY IMPORTANT
(ALBEIT SMALL) THIRD WORLD SPHERE OF INFLUENCE, AND IT
AIMS TO MAINTAIN (BUT NOT INCREASE) ITS POSITION IN THE
REGION. THIS REPRESENTS A CABINET DECISION, AND AS LONG
AS LIBERAL GOVERNMENT REMAINS IN POWER, IT IS SAFE TO ASSUME
THAT CARIBBEAN WILL CONTINUE TO RECEIVE SPECIAL ATTENTION.

8. ECONOMIC INTERESTS. CANADA DOES NOT HAVE AN IMPORTANT
STAKE IN TRADE WITH THE CARIBBEAN. IN 1977, THE REGION
ACCOUNTED FOR LESS THAN 1 PERCENT OF TOTAL CANADIAN MER-
CHANDISE TRADE. CANADA REGISTERED A TRADE SURPLUS OF
CDOLS 235 MILLION. DISAGGREGATED DATA ON TRADE IN SERVICES
IS NOT AVAILABLE. HOWEVER, REMITTANCES FROM LARGE NUMBER
OF JAMAICANS AND HAITIANS LIVING IN CANADA TOGETHER WITH
INCREASING CANADIAN TOURISM PROBABLY MORE THAN OFFSET
INTEREST AND DIVIDENDS ON CANADIAN INTEREST INVESTMENT IN
THE REGION, PRODUCING A CANADIAN DEFICIT ON SERVICES
ACCOUNT.

9. CANADA'S DIRECT INVESTMENT EXPOSURE IN THE REGION IS
SOMEWHAT MORE SIGNIFICANT THAN ITS TRADE INTEREST. AT THE
END OF 1975, THE NET BOOK VALUE OF CANADIAN PRIVATE DIRECT
INVESTMENT IN THE COMMONWEALTH CARIBBEAN WAS ABOUT CDOLS
746 MILLION AND WAS CONCENTRATED IN BERMUDA (CDOLS 462
MILLION), THE BAHAMAS (CDOLS 142 MILLION), JAMAICA (CDOLS
118 MILLION) AND TRINIDAD-TOBAGO (CDOLS 24 MILLION). FOR
THE MOST PART, DIRECT INVESTMENT TAKES FORM OF HOLDING
COMPANIES (EG. BANKS IN BAHAMAS, CP SHIPPING IN BERMUDA).
DIRECT INVESTMENT MINIMAL IN HAITI AND INSIGNIFICANT IN
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THE DOMINICAN REPUBLIC. DIRECT INVESTMENT IN THE CARIBBEAN
REPRESENTS ABOUT 6 PERCENT OF TOTAL CANADIAN DIRECT INVEST-

MENT ABROAD.

10. ASSISTANCE POLICY. THE LEVEL OF CANADIAN BILATERAL DEVELOPMENT ASSISTANCE TO CARIBBEAN IS HIGHER THAN COULD BE JUSTIFIED ON THE BASIS OF CANADA'S ECONOMIC INTERESTS AND IS MOTIVATED ESSENTIALLY BY THE POLITICAL FACTORS DISCUSSED ABOVE. THE GOC'S INDICATIVE PLANNING FIGURE (IPF, PROSPECTIVE TOTAL AID FLOWS OVER NEXT FIVE YEARS) FOR THE COMMONWEALTH CARIBBEAN IS CDOLS 150 MILLION, OR ABOUT CDOLS 30 MILLION PER YEAR. (NOTE: IPF'S ARE CONFIDENTIAL AND NOT DIVULGED TO RECIPIENT COUNTRIES). THE GOC IS NOT INCLINED TO INCREASE THIS FIGURE SINCE (A) IT FEELS THAT CANADIAN EXPOSURE IS ALREADY HIGH IN ENGLISH SPEAKING CARIBBEAN AND SHOULD NOT GO HIGHER; (B) NUMBER OF VIABLE PROJECTS INSUFFICIENT TO COMMIT FUNDS ALREADY ALLOCATED; (C) LAG BETWEEN COMMITMENT, AND ACTUAL DISBURSEMENT OF FUNDS IS LONG (NEARLY 1.5 YEARS) PRIMARILY DUE TO DIFFICULTIES EXPERIENCED BY RECIPIENTS IN GENERATING FUNDS TO COVER LOCAL COSTS OF PROJECTS. REVIEW OF CANADIAN AID POLICY IN CARIBBEAN PUBLISHED IN 1976 CONCLUDED THAT ASSISTANCE EFFORT IN FUTURE SHOULD FOCUS ON CREATION OF EMPLOYMENT RATHER THAN EXPANSION OF INFRASTRUCTURE.

11. DISBURSEMENTS OF BILATERAL AID IN FY 1977/78 (ENDING MARCH 31, 1978) IN THE COMMONWEALTH CARIBBEAN WERE ABOUT CDOLS 25 MILLION. EMERGENCY FOOD AID TO JAMAICA BROUGHT TOTAL BILATERAL ASSISTANCE TO CDOLS 36 MILLION IN FY 1977/78, COMPARED WITH CDOLS 23 MILLION IN PRECEDING FISCAL YEAR. BILATERAL AID FLOWS TO COMMONWEALTH CARIBBEAN REPRESENTED ABOUT 6 PERCENT OF TOTAL BILATERAL FLOWS IN FY 1977/78, AND REGION RECEIVES HIGHEST PER CAPITA

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CONCENTRATION OF CANADIAN AID. CANADIAN ASSISTANCE TO THE
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DOMINICAN REPUBLIC WAS ONLY CDOLS 1.6 MILLION IN FY 1976/
77.

12. MUCH OF GOC MULTILATERAL ASSISTANCE TO COMMONWEALTH
CARIBBEAN IS FUNNELLED THROUGH CARIBBEAN DEVELOPMENT BANK
(CDB). CANADA HAS CONTRIBUTED CDOLS 33 MILLION, (22
PERCENT) OF BANK'S TOTAL CAPITALIZATION.

13. HAITI: CANADIAN INTERESTS IN HAITI ARE POLITICAL AND
HUMANITARIAN AND HAVE ONLY RECENTLY FOUND CONCRETE EX-
PRESSION IN INCREASED FLOWS OF ASSISTANCE. FIVE YEARS
AGO, BILATERAL AID FLOWS TO HAITI TOTALLED ONLY CDOLS
150,000 BUT ARE CURRENTLY RUNNING AT ABOUT CDOLS 8 MILLION
ANNUALLY. EXTAFF OFFICIAL TOLD EMBOFF THAT IPF FOR HAITI
WOULD EXCEED CDOLS 5 MILLION ANNUALLY AND COULD WELL GO
AS HIGH AS CDOLS 12 - 15 MILLION PER YEAR. EXTAFF UNDER
SECRETARY D. MCPHAIL SAID THAT GOC COULD BECOME HAITI'S
PRINCIPAL DONOR IN FUTURE (SEE OTTAWA 2112).

14. CARIBBEAN CONSULTATIVE GROUP: GOC RECOGNIZES NEED
FOR MORE EFFECTIVE COORDINATION OF DONOR COUNTRY ASSISTANCE
TO CARIBBEAN AND FEELS CCG COULD HELP BRING IT ABOUT. IN
ADDITION, CANADIANS HOPE THAT CCG COULD (A) HELP STRENGTHEN

REGIONAL INSTITUTIONS AND HELP MITIGATE (OVER TIME) STRONG CENTRIFUGAL POLITICAL FORCES IN REGION; (B) DEVELOP VIABLE PROJECTS WHICH COULD HELP SECURE GOC'S ALLOCATION/COMMITMENT GAP AND (C) ATTRACT INCREASED ASSISTANCE TO REGION FROM EUROPE AND JAPAN, THEREBY PERMITTING GOC TO AUGMENT ITS ASSISTANCE WITHOUT INCREASING ITS RELATIVE EXPOSURE.

15. AS CANADIANS INDICATED DURING APRIL 20 TALKS WITH U.S. IN OTTAWA, GOC WILL ADOPT CONSTRUCTIVE, SUPPORTIVE APPROACH AT JUNE CCG MEETING, AND AVOID LECTURING THE LIMITED OFFICIAL USE

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CARIBBEAN COUNTRIES ON THE BENEFITS OF REGIONAL COOPERATION. AT MEETING OF DONORS IN MAY, CANADIANS WILL RAISE QUESTIONS OF HOW TO DEAL WITH EXCESSIVE CARIBBEAN COUNTRY EXPECTATIONS AND POSSIBLE DONOR/RECIPIENT DIFFERENCES OVER APPROPRIATE FORM OF ASSISTANCE (EG. SHORT RUN BALANCE OF PAYMENTS SUPPORT VS. LONG TERM DEVELOPMENT ASSISTANCE).GOC HAS NOT YET MADE DECISION ON NATURE AND LEVEL OF ITS REPRESENTATION TO MAY DONORS' MEETING. ENDERS

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